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Responding to Foreclosures in Cuyahoga County: Program Year Three Evaluation Report, March 1, 2008 through February 28, 2009

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RESPONDING TO FORECLOSURES IN CUYAHOGA COUNTY
PROGRAM YEAR THREE EVALUATION REPORT
MARCH 1, 2008 THROUGH FEBRUARY 28, 2009

Prepared for the Cuyahoga County Board of Commissioners by:

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September 25, 2009

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Introduction

On May 11, 2009, award winning author, journalist and regular contributor to the New York Times Magazine, Alex Kotlowitz addressed the Levin College Forum program, *Building our Future Beyond Foreclosure*.

Communities in Northeast Ohio were hit earlier and harder...That means you've had some time to contemplate what is and what could be. You've had some false starts and you've made some progress. You've seen things, you've heard things and you've felt things that most of us haven't. It is incumbent on you to share with the rest of the country what you've seen and what you've heard.....In your hands is not the future of one house or one block or even one city, you need to be the guides, I urge you to give voice to what you've seen. You have a daunting journey ahead, but one in which you can re-imagine the American city, carve out new paths for others to follow.¹

Cuyahoga County, Ohio is at the epicenter of the foreclosure crisis. With close to 13,000 foreclosure filings a year since 2005, more than 10,000 vacant and derelict structures and thousands of homeowners losing their homes, the effects of the crisis will be long lasting and far reaching.

In Ohio, County courts, agencies and departments have some level of authority and responsibility for virtually every step of the foreclosure process. So it is not surprising that the fifteen mayors of the First Suburbs Consortium² turned to Cuyahoga County to help them address this crisis. In response, in August 2005, the Cuyahoga County Commissioners launched a broad Foreclosure Initiative with two potentially conflicting goals: making foreclosure proceedings faster and fairer to aid municipalities struggling with properties “in limbo” as a result of being stuck in the foreclosure pipeline and preventing foreclosures to aid residents who wanted to keep their homes. Since that time the Initiative has made measurable progress on both fronts. Understanding the successes and barriers of Cuyahoga County’s Initiative holds lessons for other cities and counties facing what may well be one of the most challenging urban issues of the Century.

Methodology

In August 2006, one year after Commissioners launched their pilot initiative, the County contracted with Cleveland State University’s College of Law and Urban Affairs to evaluate progress using measurable objectives or outcomes. The evaluation uses a continuous learning model, with feedback provided to the County on a regular basis to track progress and improve program operations. This is the third report on the progress of the initiative. It covers the Initiative from its start in August 2006 through February 2009 and highlights the Foreclosure Prevention Activities in Program Year 3 (PY 3, March

¹ Kotlowitz, Alex. *All Boarded Up*, New York Times Magazine, March 4, 2009.

² The First Suburbs Consortium is comprised of the cities of Bedford, Bedford Hts., Brook Park, Cleveland Hts., Cuyahoga Hts., Euclid, Fairview Park, Garfield Hts., Lakewood, Maple Hts., Parma, Shaker Hts., South Euclid, University Hts., Warrensville Hts.

2008 through February 2009). Because of the County's longstanding interest in program assessment and evaluation, there is now three full years of data about the foreclosure prevention activities in Cuyahoga County. The County has committed to funding foreclosure prevention, including evaluation at least through June 30, 2010.

The information used in this report was drawn from the following sources:

1. Face to face interviews with counseling agencies and County program staff.
2. County foreclosure agency coordinating meetings held throughout the year.
3. Data on foreclosure counseling client demographics and outcomes provided by the agencies to the County Department of Development and the Treasurer's Office.
4. Data on foreclosures provided by the Northeast Ohio Data and Information Service of the Levin College, NEO CANDO at Case Western Reserve University, and the Federal Reserve Bank of Cleveland.
5. 211 First Call for Help documentation of calls and referrals by service type and agency, a description of their referral process, and definitions of the service categories used.

Our work would not have been possible without the full cooperation and assistance of the numerous County departments and agencies and the counseling agencies. We especially wish to thank Paul Oyaski, Director, Paul Herdeg, Housing Manager, and Sara Parks Jackson, Program Officer, Department of Development; Jim Rokakis, County Treasurer and Mark Wiseman and Paul Bellamy Foreclosure Prevention Program managers, County Treasurer's office for their commitment to making sure that we were able to get the information we needed.

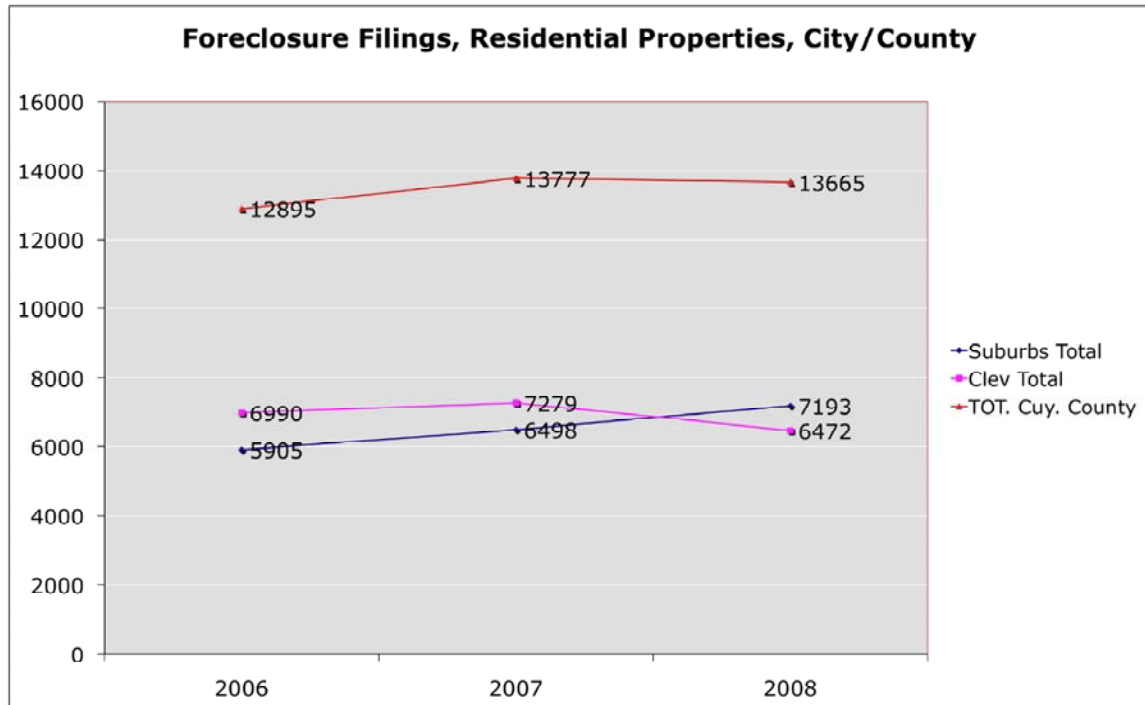
Foreclosure Trends

Nationally, experts are predicting that the number of foreclosure filings has not yet peaked. Cuyahoga County was hit earlier and harder than other parts of the country. The County's housing market never experienced the huge housing price bubbles that rapidly growing parts of the country faced. Rather, the problem in Northeast Ohio was the result of a stagnating economy, a weak housing market, an increase in predatory lending and a lax state regulatory environment. But, by all accounts, the foreclosure crisis in Cuyahoga County is likely to continue at least for the near future, exacerbated by the current recession.

The total number of residential foreclosure filings in Cuyahoga County increased rapidly from 2005 to 2006, but has held relatively constant, between 13,000 and 13,500 per year since then, declining slightly from 2007 to 2008. In 2008, approximately 3% of all residential units in Cuyahoga County were in foreclosure; approximately 5% of all residential units in the City of Cleveland. For the first time, in 2008, the number of foreclosure filings in the suburbs surpassed the number in the city of Cleveland. As

foreclosures shift outward from the City and the reason for foreclosure shifts from “bad” loans to loss of job or income, the program continues to adapt.

Figure 1. Foreclosure Filings, Residential Properties, Cuyahoga County 2006-2008



A look at the monthly filings in the following table shows a drop in the number of filings for the first two months of 2009. However, the decline is very likely the result of a national moratorium on foreclosures that was in effect from January to May of 2009 and has since been lifted.

Table 1. Foreclosure Filings in Cuyahoga County by Month

Foreclosure Filings in Cuyahoga County by Month All Program Years			
Month	PY 1 (Mar 06- Feb 07)	PY 2 (Mar 07- Feb 08)	PY 3 (Mar 08- Feb 09)
March	1129	1224	1223
April	836	943	1159
May	955	963	1041
June	997	1026	1026
July	853	1033	1093
August	1133	1369	940
September	1113	1154	1221
October	1363	1235	1051
November	1234	1302	953
December	1406	1052	1537
January	1363	1233	956
February	1113	1188	957
Total	13495	13722	13157

The Cuyahoga County Foreclosure Prevention Program

The original goal of Cuyahoga County Foreclosure Prevention Program was to “ensure that the County’s residents are able to remain in their homes until they are ready to leave, rather than when the lender is ready to foreclose.”³

The program’s objectives were to:

1. Engage delinquent mortgage borrowers early so that they never reach foreclosure
2. Counsel homebuyers to prevent foreclosure
3. Negotiate workout agreements on behalf of delinquent borrowers to save homes
4. Intervene with civic and criminal legal action against predatory lenders
5. Advocate for legislative reform to discourage inappropriate home lending
6. Administer rescue loans to provide one-time assistance to homeowners who have difficulty paying their mortgages

As the program has evolved and community needs have changed the focus has narrowed to focus primarily on three objectives:

1. Counsel homebuyers to prevent foreclosure
2. Negotiate workout agreements on behalf of delinquent borrowers to save homes
3. Administer rescue loans to provide one-time assistance to homeowners who have difficulty paying their mortgages

Program Administration. In a shift from the dual administrative structure of previous program years, in PY 3 the Foreclosure Prevention Program was housed and administered through the offices of County Treasurer Jim Rokakis. The County’s Department of Development continued to provide a portion of the County’s funding for the counseling agencies and ensured compliance with County and Federal rules. This compliance is ensured through annual monitoring. However, for PY 4, the Department of Development delegated the monthly performance reporting function to the County Foreclosure Prevention office.

A new program director, Paul Bellamy, was hired in February 2009. The program continues to have three full-time staff members. Program staff members work closely with the Department of Development, the County Administrator’s office, the Prosecutor’s office as well as with other County agencies involved in foreclosures.

Community Partners include funding partners (local banks, corporations and foundations) and service delivery partners (United Way Services 211 First Call for Help, Cleveland Housing Network, Community Housing Solutions, East Side Organizing Project, Neighborhood Housing Services, Legal Aid Society of Greater Cleveland).

Eligibility. County residents are eligible to receive counseling and legal services provided the property in question is the principal residence, the resident has the means to

³ Memorandum to Paul Oyaski, Director of Development, from Committee to Design an Early Intervention Program to attack the root causes of the foreclosure epidemic in Cuyahoga County, August 1, 2005.

meet monthly obligations going forward, and the resident wants to stay in the home. Clients who do not meet these eligibility requirements are referred to other assistance programs.

Agencies. In the first year of the pilot, the County funded nine nonprofit counseling and legal service agencies: Community Housing Services (CHS), Spanish American Committee, Empowering and Strengthening Ohio's People (ESOP), The Legal Aid Society of Cleveland (Legal Aid), Housing Advocates, Inc. (HAI), Consumer Credit Counseling Services (CCCS), Cleveland Housing Network (CHN), Neighborhood Housing Services (NHS), and Consumer Protection Association. In the second and third rounds, the County funded six agencies: CHS, Legal Aid, ESOP, CHN, NHS and United Way Services First Call for Help "211" through this program. (Note: Other agencies may have received funds through other programs for housing counseling. A good example is Spanish American Committee and Housing Advocates.)

Foreclosure Prevention Counseling. The hallmark of the County's Foreclosure Prevention program is face to face counseling. Callers to 211 are routinely referred to two to three counseling agencies based on the type of assistance requested by the caller, where the caller lives and the capacity of the counseling agencies to see clients. For example, if a caller knows that his or her mortgage is held by one of the ESOP partners, the caller is usually referred directly to ESOP. Agencies frequently contact 211 to provide updates and changes. Agencies view this increased level of communication with 211 positively and reported that it has assisted them in dealing with referrals.

After clients receive the referrals, they may call more than one agency to see where they can be seen most quickly, and a small number of clients will attend group intake sessions at more than one agency, especially those clients seeking financial assistance. Generally, though, clients attend an intake session at only one agency. All of the agencies use group intake sessions at which they see about 10-25 clients per session. Agencies use these sessions to explain the foreclosure process, give clients a checklist of paperwork needed, and identify the various funding sources. These have made the intake process more efficient and most agencies are now able to schedule clients for these initial sessions within the County's two-week requirement.

By working together through the program, agencies are also becoming more familiar with one another's strengths and capabilities and are referring clients accordingly. For example, NHS administers two sources of rescue fund loans; the Ohio Home Rescue Fund which is part of the Ohio NeighborWorks® Foreclosure Prevention Initiative, a statewide program through the Ohio Housing Trust Fund that makes loans available to households with incomes of 65% or less of AMI and a second fund through the Ohio Housing Finance Agency that is available to households with incomes between 65-115% of Area Median Income. The other agencies know that in addition to the County rescue funds (described below), they can refer clients to NHS, if necessary. CHN administers a small amount of Ohio Housing Trust Fund monies to use as rescue grants for households earning less than 50% of AMI. Both the CHN and NHS rescue funds have more restrictive income guidelines than the County rescue funds but for those clients who

qualify, they can receive funds from more than one source if needed to prevent foreclosure. For example, CHN has the application forms for the NHS program, and CHN counselors can gather all the needed information and send the application with the client directly to NHS, thus saving the client from having to go through two intake sessions. This practice of referring clients to the agency that can best serve the client's needs is a positive change. It results in more efficient and effective service delivery. The one drawback is that it may result in some double counting of clients.

ESOP is the only one of the agencies that uses community organizing to negotiate "partnership agreements" and relationships with lenders and loan servicers. These relationships exist with more than 50 lenders and servicers. Some of these have agreed to effectively halt foreclosure proceedings upon receipt of an ESOP "Hot Spot Card," a specially designed intake form that includes all of the information needed by the lenders and servicers and facilitates "workout" agreements. The other agencies and 211 have the list of these lenders and services and know that they can refer any clients with loans from these ESOP partners directly to ESOP. At the same time, ESOP knows that agencies like CHN, CHS and NHS can provide more in-depth counseling and so will refer clients who may have received a "workout" through ESOP but need additional counseling to one of the other agencies.

Funding Sources. The County Commissioners have drawn on a number of sources of funds over the three years of the Foreclosure Prevention Program including County General Funds, Community Development Block Grant Funds and grants and donations from banks, corporations and foundations and special funds (see Table 2). It is important to note that County General Funds comprised 19% of total program funds over the three years, not including rescue funds (\$3,077,014), but will not be available beyond PY 3 (ending June 30, 2009).

In addition to this base of program funds, in June 2006, the County designated a one-time allocation of \$400,000 in Temporary Assistance to Needy Families (TANF) for use in Foreclosure Prevention with \$325,000 allocated to agencies for counseling services and \$75,000 allocated as rescue funds on a pilot basis. Homeowners facing foreclosure who also met TANF eligibility requirements could qualify for a one-time payment of up to \$3,000 per household. Thirty-eight families received these rescue funds. The average amount was \$2,500 with over half of the awards for \$3,000. These funds were depleted by June 2007.

On August 17, 2007 the County announced that \$3 million would be made available from a special use of part of the surplus in Cuyahoga County's Delinquent Tax Administration and Collection (DTAC) funds. The state legislature authorized the use of this money for Foreclosure Prevention and the Treasurer and Prosecutor together agreed to implement it.

In PY 2, the Cuyahoga County Commissioners appropriated the initial \$3 million in DTAC funds with \$1.5 million made available for rescue loans and foreclosure prevention and the remainder available to cities for nuisance abatement resulting from foreclosures, including a \$1 million allocation to the City of Cleveland for the demolition

of vacant and abandoned housing. In September 2008, \$600,000 of the original \$1.5 million authorization was re-allocated from the rescue funds to the Cuyahoga County Department of Development for counseling activities through the participating agencies and to support the operations of the office of the Foreclosure Prevention Program.

In PY 3, the County Prosecutor and Treasurer made an additional \$1.3 million in DTAC funds available to the Foreclosure Prevention Program office for rescue loans and foreclosure prevention counseling.

As Tables 2 and 3 summarize, a total of \$4.7 million, from various sources, has been spent, to date, for all of the County's Foreclosure Prevention activities.

Table 2. Sources and Commitments of Funds

Sources and Commitments of Funds for Foreclosure Prevention Program (Feb 2006-Mar 2008)				
Funds Source	Year 1 Commitments	Year 2 Commitments	Year 3 Commitments	Total Program Commitments
Community				
Neighborhood Progress, Inc.*	\$37,500	\$30,000		\$67,500
National City	\$50,000	\$25,000		\$75,000
Key	\$50,000	\$50,000	\$25,000	\$100,000
Freddie Mac	\$50,000	\$50,000		\$100,000
Fannie Mae			\$25,000	
Miller Foundation	\$50,000	\$50,000		\$100,000
Chase	\$25,000	\$0		\$25,000
Ohio Savings/AmTrust	\$25,000	\$25,000		\$50,000
US Bank	\$10,000	\$0		\$10,000
Dominion Foundation			\$50,000	\$50,000
First Energy			\$10,000	\$10,000
Nord Family Foundation			\$50,000	
Safeguard Properties			\$52,500	\$52,500
Subtotal	\$297,500	\$230,000	\$212,500	\$640,000
County				
General Fund	\$172,500	\$200,000	\$200,000	\$572,500
CDBG	\$100,000	\$100,000	\$0	\$200,000
TANF	\$400,000	\$0	\$0	\$400,000
DTAC	\$0	\$1,500,000	\$1,300,000	\$2,800,000
Subtotal	\$672,500	\$1,800,000	\$1,500,000	\$3,972,500
Total	\$970,000	\$2,030,000	\$1,712,500	\$4,712,500
* NPI pledged an additional \$75,000 that was redirected to another County Initiative at the request of the County Treasurer				

Table 3. Allocation of Funds

Allocation of Funds, Foreclosure Prevention Program (Mar 2006-Feb 2009)								
	First Contract - PY 1	Supplemental TANF Awards	Subtotal, PY 1	Second Contract - PY 2	Supplemental DTAC Funds	Subtotal, PY 2	Third Contract- PY 3	Total, PY 1-3
Counseling and Legal Services Agencies								
CHS	\$50,000	\$75,000	\$125,000	\$30,000	\$12,500	\$42,500	\$87,000	\$422,000
ESOP	\$50,000	\$75,000	\$125,000	\$100,000	\$12,500	\$112,500	\$148,000	\$623,000
CHN	\$12,500	\$50,000	\$62,500	\$60,000	\$12,500	\$72,500	\$75,000	\$345,000
NHS	\$12,500	\$75,000	\$87,500	\$100,000	\$12,500	\$112,500	\$100,000	\$500,000
CLAS	\$75,000	\$0	\$75,000	\$10,000	\$0	\$10,000	\$0	\$170,000
CCCS	\$12,500	\$0	\$12,500	\$0	\$0	\$0	\$0	\$25,000
SPANAM	\$20,000	\$50,000	\$70,000	\$0	\$0	\$0	\$0	\$140,000
CPA	\$20,000	\$0	\$20,000	\$0	\$0	\$0	\$0	\$40,000
Subtotal	\$252,500	\$325,000	\$597,500	\$300,000	\$50,000	\$350,000	\$410,000	\$2,265,000
Operating and Program Expenses								
Foreclosure Prevention Prog	\$267,000		\$267,000	\$292,400		\$292,400	\$250,000	\$809,400
Rescue Funds		\$75,000	\$75,000		\$635,486	\$635,486	\$1,000,000	\$1,635,486
Other Expenses	\$9,606		\$9,606					\$19,212
211 First Call for Help				\$15,000			\$15,000	\$30,000
Subtotal	\$276,606	\$75,000	\$351,606	\$307,400	\$635,486	\$942,886	\$1,265,000	\$2,494,098
TOTAL	\$529,106	\$400,000	\$929,106	\$607,400	\$685,486	\$1,292,886	\$1,675,000	\$4,759,098

In addition, the Department of Development allocated \$20,000 in Year 1, \$50,000 in Year 2 and \$40,000 in Year 3 from County general funds for the evaluation.

It is important to note that when the County program started, there were very few other funding sources available for foreclosure prevention counseling. However, beginning in late 2007, first the state of Ohio and then the federal government began to make substantial funding resources available. At that time all of the participating counseling agencies received allocations of state and/or federal funds for counseling. Initially, there were two sources of these funds: the State Foreclosure Prevention Housing Counseling Program and the Federal National Foreclosure Mitigation Counseling Program. The funds were administered through the Ohio Housing Finance Agency and through two national intermediaries, the Housing Partnership Network of which Cleveland Housing Network is a member and Neighborworks of which Neighborhood Housing Services of Greater Cleveland is a member.

In addition to the counseling funds, NHS received state (and a small federal) grants totaling more than \$6 million for a statewide program of rescue loans.

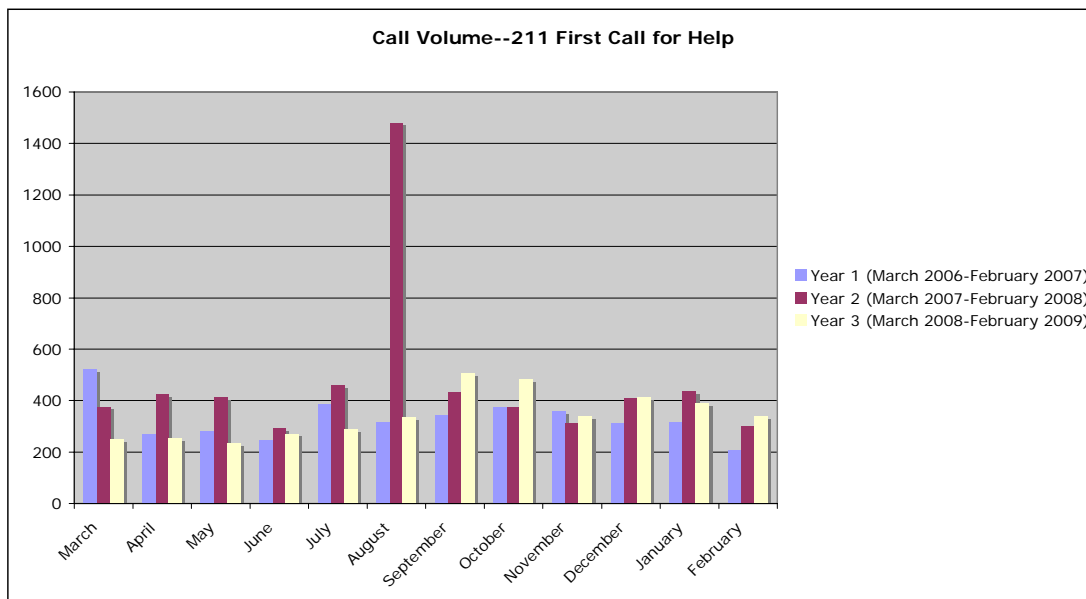
Also, beginning at the end of 2007, ESOP received approximately \$3.5 million through the Phase I and II rounds of funding through the Ohio Housing Finance Agency's Save the Dream Program to expand its foreclosure services statewide.

A fourth round of County funding was awarded to the agencies on July 1, 2009.

Program Components

United Way Services First Call for Help “211”. Since the foreclosure prevention program began in March 2006, United Way’s 211 First Call for Help has served as the primary point of contact for County residents seeking foreclosure prevention assistance. From March 2006 through February 2009, “211” received 9,655 calls for foreclosure prevention assistance. In the first full year of the program (PY 1, March 2006-February 2007), there were 3,937 calls. This number increased by 45% in the second year of the program (PY 2, March 2007-February 2008) to 5,718. In PY 3, March 2008-February 2009) the call volume declined by 28% from PY 2 and is now closer to 2006-7 levels, with a total of 4,108 calls for foreclosure prevention assistance. (Chart 1.) A portion of the 2007-8 increase can be traced to a spike of 1,481 calls in August 2007. This spike in the number of calls corresponds to the announcement of the availability of rescue fund dollars, which received a great deal of media attention. It is a reflection of the pent up demand for financial assistance.

Chart 1. Call Volume, 211 First Call for Help



The 28% decline in the number of calls from PY 2 to PY3 can be attributed to a number of factors. Agencies report that in addition to the “211” calls, they are taking an increasing number of referrals from the growing number of state and federal toll free numbers (such as Ohio’s Save the Dream program, Hope for Homeowners, the National Foreclosure Mitigation Counseling Program). Further, many clients call the agencies directly. In PY 3, for the first time, the evaluation tracks all clients living in Cuyahoga County, not just those referred from “211.” (Table 3.)

Table 4. Callers to Agencies by Type of Referral

Referred by 211?		
Yes	584	45%
No	360	28%
None Reported	356	27%
Total	1300	100%

Tracking trends in the types of referrals made by 211 offers an indication of the nature of assistance callers are requesting. As shown in Table 4, the majority of callers are seeking mortgage foreclosure assistance and payment assistance. Calls for foreclosure assistance have declined from 75% in 2006 to 46% in 2008⁴ while calls for payment assistance have increased from 2% in 2006 to 35% in 2008. This increase can be directly attributed to the introduction of the County's mortgage payment assistance program (Rescue Fund) in August 2007. Another interesting trend is that while always small, the percentage of calls for predatory lending assistance declined from 7% in 2006 to 3% in 2008.

Table 5. Number of Referrals by Top 5 Referral Types (note: each caller is given 2.7 referrals on average)

Number of Referrals to Agencies by Type 2006-2008						
Type of Referrals	2006		2007		2008	
	Number	Percent	Number	Percent	Number	Percent
Mortgage Foreclosure Assistance*	6,226	75%	8,393	56%	5,195	46%
Mortgage Payment Assistance	150	2%	3,658	25%	3,947	35%
Predatory Lending Assistance	614	7%	934	6%	298	3%
Utility Bill Payment Assistance	132	2%	212	1%	205	2%
Other	1,135	14%	1,675	11%	1,538	14%
Total Referrals	8,257	100%	14,872	100%	11,183	100%

*As of March 26, 2008, the term Mortgage Delinquency and Default Resolution Counseling replaced Mortgage Foreclosure Assistance in the taxonomy used by 211

211 also tracks where callers live, another indicator that the foreclosure crisis is increasing in the suburbs. The 211 reports include data on the top five cities of callers seeking foreclosure prevention assistance. Callers from these communities comprise between 70-73% of all 211 callers for foreclosure assistance. As Table 5 shows, the majority of callers live in the City of Cleveland. However, for the first time in 2008, the percentage of callers from Cleveland dropped below 50% to 48%.

⁴ Except for the number of calls, which is reported monthly, 211 First Call for Help data is reported quarterly, so all data except the number of calls is for a calendar year, not the County Foreclosure Prevention program year. Since the County program started in March 2006, the data for 2006 is only for 10 months.

Table 6. Top Cities of Callers to 211

Top Cities of Callers, 2006-2008								
	Callers 2006		Callers 2007		Callers 2008		Total Callers	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Cleveland	1884	55%	2917	53%	1976	48%	6777	52%
Euclid	171	5%	330	6%	247	6%	748	6%
Maple Hts.	171	5%	275	5%	247	6%	693	5%
Cleveland Hts.	137	4%	220	4%	165	4%	522	4%
East Cleveland	137	4%					137	1%
Garfield Hts.			220	4%			220	2%
Parma					165	4%	165	1%
Sub-total	2501	73%	3962	72%	2800	68%	9263	71%
Other	925	27%	1541	28%	1317	32%	3783	29%
Total Callers	3426	100%	5503	100%	4117	100%	13046	100%

Table 7 shows the number of foreclosure filings for these same cities on an annual basis. For both foreclosure filings and the location of callers to 211, Cleveland's share declined. However Cleveland's share of foreclosure filings declined more dramatically than 211 callers from 2006 to 2008 (calendar year).

Table 7. Foreclosure Filings by Top Cities of Callers to 211

Foreclosure Filings in Cuyahoga County by 211 Top Cities by Year									
City	Number of residential units	2006		2007		2008		Total	
		Foreclosure Filings		Foreclosure Filings		Foreclosure Filings		Foreclosure Filings	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent
Cleveland	132,771	6990	54%	7,279	53%	6,472	47%	20,741	51%
Euclid	16,910	559	4%	659	5%	760	6%	1,978	5%
Maple Hts.	10,079	506	4%	562	4%	652	5%	1,720	4%
Cleveland Hts.	15,000	528	4%	547	4%	557	4%	1,632	4%
East Cleveland	5,742	581	5%	483	4%	368	3%	1,432	4%
Garfield Hts.	11,352	394	3%	443	3%	447	3%	1,284	3%
Parma	29,963	382	3%	472	3%	512	4%	1,366	3%
Sub-total	221,817	9940	77%	10,445	76%	9,768	71%	30,153	75%
Other	223,331	2955	23%	3,332	24%	3,897	29%	10,184	25%
Total County Foreclosure Filings	445,148	12,895	100%	13,777	100%	13,665	100%	40,337	100%

While the percentage of agency clients living in Cleveland is still 50%, Table 7 illustrates that percentage continues to decline. In PY 4 agencies plan to set up at least one satellite office in the southeast suburbs to better accommodate the shift in foreclosures.

Table 8. Agency Clients, Top Cities of 211 Callers

Agency Clients by 211 Top Cities, Mar 08-Feb 09		
City	2008	
	Number	Percent
Euclid	100	8%
Cleveland Hts.	53	4%
Maple Hts.	86	7%
Parma	37	3%
Garfield Hts.	60	5%
Lakewood	19	1%
Cleveland	646	50%
Other	299	23%
Total	1,300	100%

In August 2008, the County adopted a mediation program (described below). The program is available to every Cuyahoga County resident and notification of the availability of the program is sent when the foreclosure is filed with the Court. Homeowners who request mediation tend to be at the last stage of the foreclosure crisis. In contrast to homeowners who take advantage of the counseling program, only 36% of the homeowners who request mediation live in Cleveland, 38% live in outer suburbs (38%), and 26% live in the 211 top cities list.

Table 9. Mediations by Top Cities of 211 Callers

Mediation Requests in Cuyahoga County Court of Common Pleas by 211 top Cities, August 2008-June 2009		
City	Mediation	
	Number	Percent
Euclid	202	6%
Cleveland Hts.	169	5%
Maple Hts.	156	5%
Parma	131	4%
Garfield Hts.	121	3%
Lakewood	110	3%
Cleveland	1,253	36%
Other	1,316	38%
Total	3,458	100%

Foreclosure Prevention Counseling Clients. In PY 3 (March 1, 2008 through February 28, 2009), the four participating foreclosure prevention counseling agencies changed the way they report data for both demographic data and outcome data. All four agreed to use

the same reporting form for the County's program that they use to report data to the National Foreclosure Mitigation Counseling Program (NFMCC).⁵

This new system of data collection affords the evaluators and the County a broader range of information and greater consistency in reporting regarding intake and outcome based data. However, there are important differences to note in comparing the data across the three years of the program.

- Year 1 and Year 2 data represents the number of clients seen by the agencies over the time period.
- Year 3 data represents the number of client cases with outcomes (e.g. resolved) over the time period.
- The data points are not exactly the same. (These will be noted in the text.)

Given this caveat, in Year 3, the agencies processed intakes for 3,177 clients, with 1,300 outcomes (Table 10). Some clients come in for the initial intake session which is usually a group session and then decide not to pursue counseling for a variety of reasons (they pursue mediation, they go to another agency, they negotiate with the lender on their own, they lose their home, etc.). Other cases are in process.

Table 10. Foreclosure Prevention Client Intakes and Outcomes, PY 3

Client Intakes and Outcomes by Agency, Year 3 (Mar 08-Feb 09)					
	NHS	CHN	ESOP	CHS	Total
Total Intakes	911	516	1185	565	3177
Total Outcomes	315	244	552	189	1300

The average time period from intake to outcome for the four agencies is about 3.5 months, with the shortest time being 2.4 months at ESOP and the longest, 4.5 months at CHN and CHS. (Note: The number of Full Time Equivalent (FTE) counselors at each agency ranges from 2 (plus a full-time follow-up and data entry person) at CHN to 9 at ESOP.)

Over the three years of the program, from March 2006 through February 2009, the agencies served a total 5,078 clients (Table 11.) It is important to note that these numbers may be low. For PY 1 and PY 2 all demographic information was not reported on all clients and that agencies were seeing other clients for foreclosure prevention counseling through their other programs (not 211 referrals) and that these clients would not be reflected in the first two years of data. The number of clients was highest in PY 2 with 2,720.

The drop off in PY3 can be attributed to several factors:

- counting outcomes rather than intakes in PY3

⁵ In previous years, client information was collected through two sources:

1. HUD reports submitted to the County by the agencies (for demographic and geographic data)
2. A specialized data request from the County to the agencies regarding client outcomes.

- a national moratorium on foreclosures in January and February, reflected in lower County foreclosure filing numbers
- a growing reluctance on the part of banks and servicers to initiate and/or follow through on foreclosures as a result of TARP and other national factors
- a reluctance on the part of banks and servicers to negotiate workouts⁶

Table 11. Demographics of Clients Served (March 2006-February 2009)

Demographics: 2006-2009								
	Year 1 (Mar06-Feb07)		Year 2 (Mar07-Feb08)		Year 3 (Mar08-Feb09)		Program Total	
Race	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Single Race								
White	187	18%	464	17%	310	24%	961	19%
African American	835	81%	2079	77%	926	71%	3840	76%
Asian	2	0%	3	0%	5	0%	10	0%
American Indian/Alaskan	2	0%	6	0%	4	0%	12	0%
Multi-Race								
African American & White	2	0%	38	1%	15	1%	55	1%
American Indian & White	0	0%	29	1%	2	0%	31	1%
Asian and White	0	0%	45	2%	0	0%	45	1%
Other	4	0%	30	1%	36	3%	70	1%
None Reported	0	0%	0	0%	2	0%	2	0%
Total								
Ethnicity								
Hispanic	45	5%	74	3%	57	4%	176	4%
Not Hispanic	945	95%	2399	97%	1235	95%	4579	96%
None Reported	0	0%	0	0%	8	1%	8	0%
Total								
Gender								
Female	693	68%	1723	66%	875	67%	3291	67%
Female Head of Household	457	66%	1127	65%	344	39%	1928	59%
Male	330	32%	880	34%	425	33%	1635	33%
Total								
Age								
62 and over	76	7%	256	10%	141	11%	473	10%
Under 62	979	93%	2209	90%	1126	87%	4314	90%
None Reported	0	0%	0	0%	33	3%	33	1%
Total								
Income								
Less than 50% of AMI	338	32%	1116	41%	585	45%	2039	40%
50-79% of AMI	444	42%	852	31%	388	30%	1684	33%
Greater than 80% of AMI	155	25%	536	20%	323	25%	1014	20%
None Reported	0	0%	0	0%	4	0%	4	0%
Total Clients	1058		2720		1300		5078	

Highlights of Demographic Profile (note: PY3 is counting client outcomes while PY 1 and 2 are counting client intakes):

- The majority of clients (67%) seen by the counseling agencies continue to be female, and 59% of those females are heads of household.
- The percentage of clients that is African American declined from 81% in PY1 to 71% in PY3, with an overall percentage of 76% for all three program years. The

⁶ For an excellent discussion of this see, Manuel Adelino, Kristopher Gerardi and Paul S. Willen, "Why Don't Lenders Renegotiate More Home Mortgages? Re-defaults, Self-Cures, and Securitization", Public Policy Discussion Paper, The Federal Reserve Bank of Boston, July 6, 2009.

percentage that is white increased from 18% to 24% over the same time period, with an overall percentage of 19%. The percentage of clients that is Hispanic remained fairly steady at 4%.

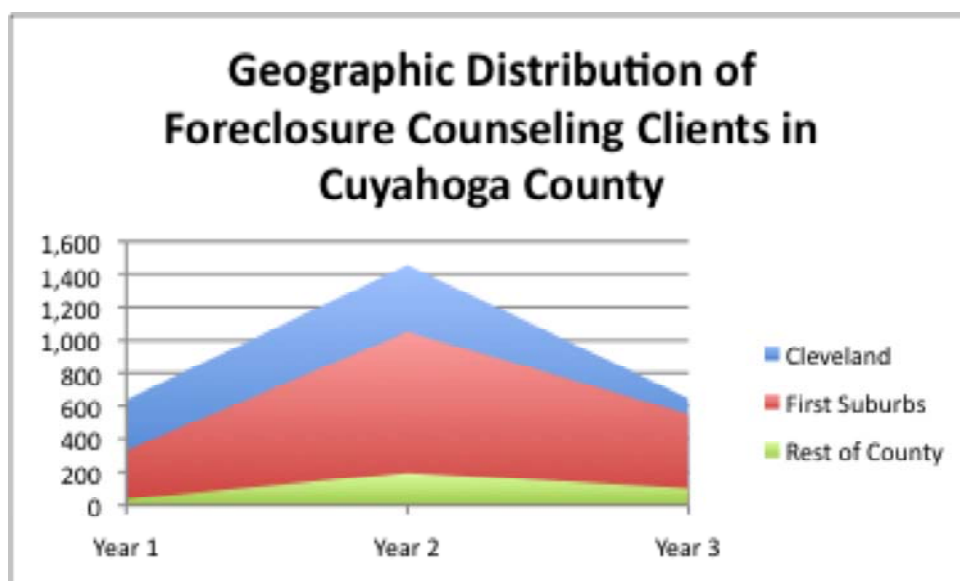
- The percentage of clients age 62 or older continues to increase from 7% in PY1 to 11% in PY3, with an overall percentage of 10%.
- The percentage of clients at the low end of the income scale continues to increase from 42% in PY2 to 45% in PY3.
- ESOP and CHS serve the highest proportions of higher income clients, consistent with their proportionately higher suburban clientele. NHS and CHN serve a proportionally lower income clientele.

Looking across all agencies, Table 12 shows that the percentage of clients from Cleveland has declined in each program year, from 63% in PY1 to 50% in PY3. The proportion of clients that live in one of the 16 communities that comprise the First Suburbs⁷ increased by 10% from 33% in PY1 to 43% in PY3. Clients from the remaining suburbs of Cuyahoga County increased from 4% to 8% over the same period.

Table 12. Geographic Distribution of Clients (note: PY3 is counting client outcomes while PY 1 and 2 are counting client intakes.)

	Geographic Distribution of Clients in Cuyahoga County							
	Year 1 (Mar 06-Feb 07)		Year 2 (Mar 07-Feb 08)		Year 3 (Mar 08-Feb 09)		Program Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Cleveland	639	63%	1,457	54%	646	50%	2,742	55%
First Suburbs	331	33%	1,051	39%	553	43%	1,935	39%
Rest of County	36	4%	193	7%	101	8%	330	7%
Total	1,006	100%	2,701	100%	1,300	100%	5,007	100%

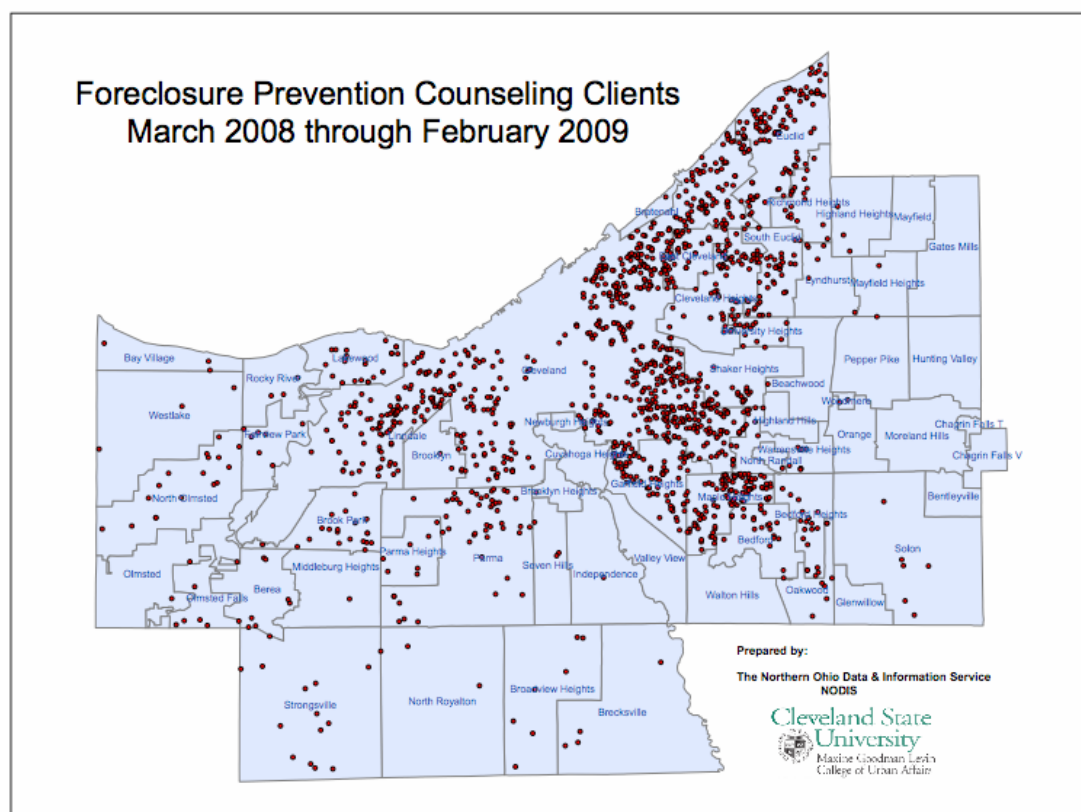
Figure 2. Geographic Distribution of Clients (note: PY3 is counting client outcomes while PY 1 and 2 are counting client intakes.)



, East Cleveland, Euclid, Fairview park, Garfield Hts., Lakewood, Parma, Maple Hts., Parma, Shaker Hts., University Hts., Warrensville Hts.

There are some variations across the four agencies. For example, CHS and ESOP serve a slightly more suburban clientele. CHN and NHS consistently see the highest percentage of Cleveland residents, although CHN's percentage of City clients declined from 59% in Year 1 to 54% in Year 3.

The map in Figure 3 illustrates that PY3 clients continue to be concentrated on the city's east side, but are increasingly spread throughout the County.



Counseling Client Trends. Face to face interviews were conducted with agency staff and 211 First Call for Help staff in August of 2008 and May/June 2009. (See attached list of interviews). Based on information gathered from these interviews, the counseling agencies and 211 reported a number of trends:

- It's the economy. Bad loans are no longer the primary reason people are seeking foreclosure counseling and assistance. In the past ARM resets, predatory refinancing schemes and other "bad loans" were what counseling agencies reported seeing most. This is no longer the case. All agencies reported job loss or loss of income as the number one reason people seek assistance. (Table 16)
- Overall, the volume of calls to 211 has leveled off and in some cases declined. NHS reported a slight decrease in calls from 211 in August 2008 and ESOP reported a drop-off in calls throughout the program year.
- Most of the clients seen by the agencies now have negative equity in their homes (they are "upside down"). Agency staff felt that this was a result of the current state of the economy but also because homeowners refinanced a few years ago when their home values were at the peak of the market.
- The prevention message may be sinking in. People are seeking help earlier in the foreclosure process. Agencies report that clients come to them for assistance in anticipation of losing their job or because of a reduction in income. Agency staff have reported clients saying such things as "I am not in trouble yet, but..." But not all lenders and servicers will talk with or about clients who are not yet in arrears.
- The number of clients from suburban Cuyahoga County continues to increase. All agencies reported seeing more clients from the suburbs, including those in the outer ring of the County.
- The type of mortgage is changing. Agencies are no longer seeing as many Adjustable Rate Mortgages (ARMs) or other "bad loan" products as they had in the past, although some agencies report seeing more of these than others. They now report seeing more traditional mortgage products such as fixed-rate 30 year mortgages. Based on agency reported data, 45% of clients had a fixed-rate mortgage with an interest rate of under 8%. (See Table 15.)
- Clients are increasingly more difficult to assist because of their financial circumstances. Agencies are unable to keep individuals in their homes where there is no job or income to support the loan. Agencies also reported that cases are taking longer to resolve as a result.
- The percentage of homeowners seeking help who are elderly is increasing. "211" expects that the number of people needing assistance who are elderly will continue to rise in the coming year.
- People are staying in their homes longer. People are no longer receiving a foreclosure notice in the mail and leaving their homes. Now, when they get the summons from the Court, it includes information about the Cuyahoga County mediation program and advises them to stay in their home and to apply for mediation. Counseling agencies are also recommending that clients "stay, stay, stay" in their house for as long as possible.

- Lenders have become more creative in the types of workouts they are providing to clients. For example, agencies report that it is becoming increasingly common for lenders to offer stipulations to modifications (Stip-to-Mods). These require a number of payment stipulations the homeowner must meet or complete before a modification on the mortgage will be given. In some cases, even if the client makes all the stipulated payments, the lender may not follow-through with the loan modification. Lenders are also more likely to do a forbearance agreements or a ‘soft seconds’ - where a percentage of the principal of the loan is moved to the back end of the mortgage, simply delaying the payment, rather than modifying the loans by reducing interest rates or principal owed.

There are several factors that can explain these trends. The number of foreclosure filings between PY 1, March 2007-February 2008 and PY 2, March 2008-February 2009 decreased by 4% throughout the County, as did the volume of calls to 211 (28% decrease in calls). Other factors include the decreasing number of adjustable rate mortgages (ARMs) whose interest rates have either already reset or reset to a lower interest rate as the economic downturn advanced.

There level of awareness among the general public of the foreclosure problem continues to increase. Foreclosure remains a significant problem in Cuyahoga County and the nation. By the winter of 2008/09, the federal government was diverting millions of dollars to assist troubled homeowners and almost constant media attention kept the foreclosure issue in the spotlight for many months. But the economic fallout continues to impact Cuyahoga County much more than the ARM resets, predatory refinancing schemes and other “bad loans” of the past. This is reflected in the number of clients reporting job loss (14%) or reduction in income (28%) as the primary reason for seeking assistance and further compounded because most of the clients in the program have a history of financial instability. Ohio’s unemployment rate is one of the highest in the nation and that number is expected to continue to increase through at least the end of 2009.

The availability of rescue funds continues to drive potential clients to the counseling agencies. “211” reports that 35% of calls are for foreclosure payment assistance. However, the rescue funds are becoming less important in negotiating with the lenders for a “workout” given that lenders are doing fewer “workouts” and accepting forbearance agreements more often. The way in which agencies use rescue funds has also shifted. In the first two years of the pilot, rescue funds were used to bring an account current for the homeowner. In a few rare cases, the rescue funds have been used to pay the lender in full for the property where the lender will accept a considerably reduced rate of between \$3,000 and \$7,000 for the home.

Counseling agencies view the court’s mediation program as another tool they can use to assist clients. Agencies report that they recommend clients apply for the mediation program even as they work through counseling. Agencies are hopeful that they will be able to get the client a resolution before their case comes up for mediation with the court, but if they are unable to achieve this, the mediation is yet another avenue the client has to

work with their lender. Agency staffers do not regularly attend mediation with their clients, but if they are asked to attend, they will.

Agency and 211 staff caution that Cuyahoga County could experience another wave of foreclosures even if the economy recovers. Homeowners in the County that have ARMs have seen their rates adjust down with the economic downturn. Counseling agencies worry that as the U.S. experiences an economic recovery, these ARMs will reset again, but this time to a much higher interest rate. This in turn could cause a large wave of foreclosures. With a very low interest rate and uncertainty about when it could adjust, homeowners have little incentive to have their current loan changed to a fixed rate loan that will likely have a higher interest rate than their current mortgage.

Program and Client Outcomes

Agencies assist clients in a number of ways. However, this assistance may not always result in keeping the client in his or her home. Agencies advise all clients of their options which include “deed in lieu”, staying in their home as long as possible until they are forced to leave in an effort to save money for rent in the future, and in rare cases, selling their home through a short sale or other option. In cases where clients cannot keep their homes, agencies help them relocate. More information is needed about what happens to these clients and should be collected in PY 4 of the evaluation.

As noted above, in PY1 and 2, the Foreclosure Prevention Program Office periodically requested outcome data from the agencies. However this data had a number of limitations that were outlined in the November 2006 report and continued to be an issue. Despite attempts to define and clarify the information requested, the data collected was not consistent.

In PY3, all four of the agencies agreed to use a format similar to the National Foreclosure Mitigation Counseling Program (NFMC) and to report monthly outcome data to the County. This new method of reporting permits the evaluators to look at a fuller range of outcome data. (Table 14).

In PY 3, the agencies were able to assist 53% of counseling clients to avert foreclosure; 17% were assisted in bringing their mortgage current; 26% had their mortgage modified. These two outcomes hold the most promise in terms of long-term sustainability of homeownership. This percentage is consistent with the previous two years in which agencies were able to assist 52% of the clients who came in for counseling to avert foreclosure through various methods, including loan workouts (35%).

Table 13. Client Outcomes, All Agencies

Outcomes PY3 (Mar08-Feb09)									
	NHS		CHN		ESOP		CHS		Total
<i>Averted</i>	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number Percent
Brought Mortgage Current	109	35%	27	11%	28	5%	60	32%	224 17%
Initiated Forbearance	28	9%	21	9%	32	6%	27	14%	108 8%
Mortgage Refinanced	0	0%	4	2%	3	1%	4	2%	11 1%
Mortgage Modified	41	13%	43	18%	239	43%	21	11%	344 26%
Received 2nd Mortgage	0	0%	0	0%	0	0%	0	0%	0 0%
Obtained Partial Claim Loan from FHA Lender	3	1%	1	0%	0	0%	3	2%	7 1%
Total	181	57%	96	39%	302	55%	115	61%	694 53%
<i>Did Not Avert</i>									
Executed deed-in-lieu	2	1%	0	0%	3	1%	2	1%	7 1%
Sold Property	0	0%	2	1%	28	5%	0	0%	30 2%
Mortgage Foreclosed	5	2%	4	2%	31	6%	13	7%	53 4%
Pre-Foreclosure Sale	2	1%	28	11%	5	1%	3	2%	38 3%
Total	9	3%	34	14%	67	12%	18	10%	128 10%
<i>Ongoing</i>									
Currently Receiving Counseling	0	0%	0	0%	0	0%	0	0%	0 0%
Counseled & Referred to Social Service or Emergency	10	3%	23	9%	2	0%	13	7%	48 4%
Counseled & Referred to Legal Service	6	2%	17	7%	6	1%	18	10%	47 4%
Total	16	5%	40	16%	8	1%	31	16%	95 7%
<i>Other</i>									
Other	5	2%	0	0%	72	13%	0	0%	77 6%
Bankruptcy	13	4%	8	3%	18	3%	7	4%	46 4%
Entered Debt Management	0	0%	0	0%	1	0%	4	2%	5 0%
Withdrew/Suspended	91	29%	66	27%	84	15%	14	7%	254 20%
Total	109	35%	74	30%	175	32%	25	13%	383 29%
Total Outcomes	315		244		552		189		1300

Using this reporting format also enables us to compare Cuyahoga County with national figures. A national study of the Neighborworks program reported that as of March 31, 2009, 25% of national counseling clients were able to avert foreclosure (using the 6 categories reported above).⁸ The majority, 42% were still in counseling.

To put the numbers into a different context, it is possible to look at the number of clients seen by the agencies as a percent of residential foreclosure filings in the County. As Table 14 shows, the four counseling agencies assisted about 13% of homeowners in foreclosure in PY 3. The percentage varies slightly by city.

⁸ Neighborworks America, National Foreclosure Mitigation Counseling Program, Congressional Update, Activity through March 31, 2009. June 2, 2009.

Table 14. PY3 Agency Clients as a Percentage of Residential Foreclosure Filings, Top 10 Cities

City	Foreclosure Filings Mar 08-Feb 09			Agency Clients Mar 08-Feb 09		
	Number	Adjusted Number*	Percent	Number	Percent	Agency Clients as Percent of Adjusted Foreclosures
Cleveland	6,087	4,809	46%	646	49%	13%
Euclid	754	596	6%	100	8%	17%
Maple Heights	631	498	5%	86	6%	17%
Cleveland Heights	529	418	4%	53	4%	13%
East Cleveland	339	268	3%	34	3%	13%
Parma	500	395	4%	37	3%	9%
Garfield Heights	418	330	3%	60	5%	18%
Lakewood	315	249	2%	19	1%	8%
South Euclid	338	267	3%	40	3%	15%
Shaker Heights	242	191	2%	27	2%	14%
Total - Top 10 Cities	10,153	8,021	77%	1,102	83%	14%
Total - All other Cities	3,004	2,373	23%	228	17%	10%
Total	13,157	10,394	100%	1,330	100%	13%

*A note about foreclosure filings: Rather than a straight comparison with the number of filings, a better measure might be the percentage of residential loans in foreclosure that involve owner-occupied homes. This eliminates investor owned properties, the owners of which do not qualify for counseling services. The Federal Reserve Bank of Cleveland estimates that Countywide in 2008, 79% of the residential foreclosure filings involved owner-occupied homes, and in first five months of 2009, this percentage increased slightly to 80%.⁹ Although the table reflects the 79% Countywide average across all cities, it is important to note that Policy Matters Ohio estimates that a full 30% of foreclosures in the city of Cleveland involve rental property (primarily 1-4 family units).

In PY3, for the first time, we also have comprehensive information about the type of loan product of clients and the reason they are facing default. As reported in Table 15 almost half (45%) of the clients had fixed rate loans with interest rates under 8%. (This compares with 38% in the national study). These would traditionally be considered “good loans.” ARMs over 8% could pose problems in the future for homeowners once interest rates increase and they reset at higher rates. 19% of clients have these potentially problematic loans, compared with 19% of clients nationally.¹⁰

⁹ The percentages of loans in foreclosure involving owner-occupied homes were calculated by the Federal Reserve Bank of Cleveland using data from Lender Processing Services, Inc. Applied Analytics (LPS). The percentages are estimated for the County using zip code level data that is a sample of the entire residential mortgage market.

¹⁰ Neighborworks America, National Foreclosure Mitigation Counseling Program, Congressional Update, Activity through March 31, 2009. June 2, 2009.

Table 15. Foreclosure Counseling Clients, Loan Product Type, All Agencies

Loan Product Type (Mar 08 - Feb 09)		
	Total	Percent
Fixed under 8%	585	45%
Fixed 8% or greater	250	19%
ARM currently 8% or over	245	19%
ARM currently under 8%	75	6%
Other	19	1%
None Reported	126	10%
Total	1,300	100%

Table 16 confirms anecdotal information about trends from interviews with agency counselors and shows that 42% of their clients are in default due to reduction in income or loss of income. If we add in medical issues and increase in expenses (both of which have the effect of reducing income) this percentage rises to 62%. These are the most difficult cases in terms of negotiating a workout with lenders or servicers as described above. Only 5% reported an increase in loan payment amount as the reason for default.

Table 16. Foreclosure Counseling Clients, Reason for Loan Default, All Agencies

Default Reason (Mar 08-Feb 09)		
	Total	Percent
Reduction in income	365	28%
Loss of income	184	14%
Other	155	12%
Medical issues	140	11%
Increase in expenses	111	9%
Poor budget management	75	6%
Increase in loan payment	64	5%
Death of a family member	28	2%
Divorce/separation	27	2%
Business venture failure	25	2%
N/A	126	10%
Total	1,300	100%

In addition to the demographic information described above, Table 17 shows credit scores. Only 3% of clients had excellent or good credit scores at intake. 63% had bad or very bad scores, another factor that is a challenge in assisting clients to avert foreclosure and making the 53% success rate quite remarkable.

Table 17. Client Credit Scores, PY3

PY3 Client Credit Scores		
Credit Score (at intake)		
700 and up (excellent)	23	2%
680-699 (good)	12	1%
620-679 (fair)	62	5%
580-619 (poor)	95	7%
500-580 (bad)	464	36%
499 and below (very bad)	350	27%
None Reported	294	23%
Total	1300	

Rescue Funds (TANF and DTAC)

The County's decision to make DTAC funds available for "rescue loans" in 2007 was a direct response to the need expressed by counseling agencies and advocates that there were cases where additional money was needed to bring a homeowner current on his or her mortgage payments or otherwise prevent foreclosure. These "rescue funds" give the counseling agencies a much-needed resource to assist their clients in saving their homes.

The rescue loan funds continue to provide one-time assistance to homeowners who have difficulty paying their mortgages because of unsuitable loan terms such as high variable interest rates and/or because of unexpected life events such as job loss, illness, or divorce. The "loans" are secured by a second mortgage on the property. The loans have no minimum payment, do not accrue interest and do not have to be repaid until the borrower either sells or refinances the home. To qualify, recipients must be Cuyahoga County residents, the property must be their primary residence, the payment must be sufficient to keep them in their home, they must be able to continue to pay the revised mortgage amount, the interest rate must be fixed and an escrow fund for taxes and insurance must be included. There is no income limit for eligibility. Initially, the County requested that agencies provide four follow-up counseling sessions over the course of the year, for which they would be paid \$150 per session. However, no agencies have requested these follow-up payments to date.

Between September 1, 2007 and February 28, 2009 the DTAC rescue funds have helped 355 households avoid foreclosure and make their mortgage payments more affordable. The total amount of rescue fund dollars expended was \$945,326.

Table 18. Rescue Fund Summary

Cuyahoga County Rescue Fund Loans					
PY 2 (Mar 2007 - Feb 2008)*		PY 3 (Mar 2008 - Feb 2009)		Program Total	
Number	Amount	Number	Amount	Number	Amount
155	\$412,538.84	200	\$532,787.21	355	\$945,326.05
*Note: The DTAC Rescue Fund Loan Program began in September 2007					

Table 19. Rescue Fund Amounts

Cuyahoga County Rescue Fund Loans (Sept 2007 - Feb 2009)		
	Program Total	
Amount	Number	Percent
Less than \$1000	4	1%
\$1000-1999	50	14%
\$2000-2999	75	21%
\$3,000	226	64%
Total	355	100%

Agencies were asked their opinions about the effectiveness of the rescue funds. Agencies continue to report that the availability of rescue funds is a reliable source of assistance they can turn to in assisting clients. There is a sense that availability of the funds is an incentive for clients to seek assistance earlier in the process, it gives them hope that they can save their home because they see that financial assistance is available. The benefit of this should not be underestimated. It remains the case that the earlier a homeowner contacts a counseling agency, the more likely the agency is to be able to assist the homeowner in keeping his or her home.

In the past, the availability of rescue funds enabled the agencies to negotiate more favorable “workouts” for homeowners. Agencies report that lenders are no longer seeking as much money in upfront payments to bring a mortgage current and with lenders accepting forbearance agreements more often, rescue funds have become less important as a negotiation tool. In a few rare cases, lenders have accepted the amount of the rescue loan payment as payment in full for the property (between \$3,000 and \$7,000 payoffs).

A concern related to the use of rescue funds continues to remain. Given the limited availability of funds, have these interventions actually avoided foreclosure or merely postponed it? In PY 4 we will be looking at re-default rates, e.g. the percent of clients who receive rescue fund loans and subsequently re-default on their payments, triggering foreclosure proceedings.

New Programmatic Developments in Year 3.

Community Foreclosure Prevention Outreach Workshops. One of the recommendations in the PY2 report was to conduct targeted outreach to homeowners at risk of foreclosure. The County initiated an outreach effort aimed at homeowners with ARMs that were scheduled to reset. Using an “early warning system” developed by Case Western Reserve University’s NEO CANDO in partnership with Neighborhood Progress, Inc., the County Treasurer sent out letters urging homeowners to attend workshops scheduled in their communities. A total of 30,500 letters were mailed to residents urging them to attend one of the workshops. All of the counseling agencies provided counselors at the workshop sites to assist clients. As Table 20 illustrates, 17 workshops were held between March 2009 and June 2009 and 535 people attended.

Table 20. Cuyahoga County Foreclosure Prevention Mortgage Workshops

Cuyahoga County Foreclosure Prevention Program Mortgage Workshops (Mar09-Jun09)					
Workshop Location	Area Served	Workshop Attendees	211 Calls*	CCFPP Calls**	Letters Sent
Maple Hts. Senior Center	Maple Heights	50	7	15	1,350
Lincoln West High School	Wards 13,14,17,18	10	6	10	1,826
Gemini Center	NW Suburbs	42	1	15	2,477
Slovenian Workmen's Home	Wards 10 & 11	40	6	12	1,700
Church of the Savior	UHts/CHts & Shaker	42	0	13	2,207
Wolstein Convention Center	Wards 2,4,5,6 & 12	15	18	20	3,064
Parma Senior Center	Parma, only	7	5	0	0
St Martin De Porres	Wards 7,8 & 9	22	1	15	1,595
Estabrook Rec Center	Wards 15,16, Brooklyn	20	1	12	1,377
Gunning Rec Center	Wards 18,19, 20, 21	23	0	13	2,481
Jimmy Dimora Rec Center	Near Southeast Suburbs	52	0	13	2,300
South Euclid Rec Center	Hilltop Suburbs	55	0	15	1,523
Middleburg Hts. Rec Center	Near SW Suburbs	46	5	13	1,741
Brecksville Rec. Center	Far SW & S Suburbs	25	8	13	1,490
Solon Rec Center	Far SE & E Suburbs	12	0	4	657
Euclid Public Library	E. Cleveland & Euclid	48	4	13	2,584
New Sardis Church	Wards 1 & 3	26	1	12	2,128
	Total	535	63	208	30,500

* Measures the increase in call volume to "211" (2009 vs. 2008) in the relevant geography, in the week following the "At-Risk" mailing.

** Estimate of call volume to the Cuyahoga County Foreclosure Prevention Program office from "At-Risk" letter recipients.

The Cuyahoga County Foreclosure Prevention Program estimates that the number of homeowners impacted by these workshops is 806, which includes those who attended a community workshop as well as those who called 211 and the County information line for assistance as a result of receiving the letters.

The counseling agencies feel that the foreclosure prevention workshops are an important new component of the prevention program. Not only do the agencies receive new clients from these workshops, but the letters alert homeowners who may not realize they have an adjustable rate mortgage or who may not feel they are in trouble. The fact that the letters are signed by the County Treasurer, a trusted source, is very effective, especially given the large education campaign needed to alert homeowners to foreclosure rescue scams.

Mediation Program. As part of the *Save the Dream* program, in 2008, the Ohio Supreme Court exhorted that every County to adopt a process for foreclosure mediation. The Cuyahoga County Court of Common Pleas formed a Mediation Sub-Committee that presented its proposed Mediation program to the bar and the public in March 2008. The public comment period ended on April 7, 2008 and foreclosure mediation became operational in May 2008. It operates as described below.

1. Once a complaint for foreclosure has been filed against any party, the Court will send out a summons containing a “request for mediation.” [Note: This differs somewhat from the Supreme Court’s “Model Program,” which limited mediation only to foreclosures against home owners. The Cuyahoga Court felt mediation should be available for all foreclosures, especially those involving abandoned and vacant properties.] Counseling agencies can also refer clients for mediation.
2. When the defendant receives the summons, they also receive a letter advising them to stay in their home and explaining how they can take advantage of the mediation program. Also included is a form on which they can indicate that they want to be considered for mediation. The form gets mailed to the mediator. [Note: Magistrates may also order mediation at any point in the foreclosure process prior to judgment if they deem mediation to be appropriate.]
3. After receipt, the mediator places an order on the docket informing the bank they have a limited number of days to respond.
4. If the court determines the case is appropriate for mediation, the court places an order on the docket imposing a stay on the case and requiring the case to be mediated. A case may be “unsuitable” for mediation if the homeowner has insufficient income. Tax foreclosure cases are not appropriate for mediation.
5. If mediation is ordered, participation by both parties is mandatory. Failure to appear for mediation will subject the absent party to appropriate sanctions. If the Plaintiff (lender or servicer) and the Plaintiff’s attorney fail to appear, the case is dismissed. If the Defendant (homeowner) fails to appear, the case goes back on the Court’s foreclosure docket. Beginning in August 2009, the Court will require that the representative for the Plaintiff have ultimate authority to agree to the terms of the agreement and if necessary, the investor will be required to be present.

Members of the bar volunteer to assist homeowners in the mediation process pro-bono and are trained in the process as well as the defenses that might be available to a homeowner faced with foreclosure, a concern raised by Legal Aid attorneys.

After a full year of operation, there is a consensus among the counseling agencies and other foreclosure experts that the mediation is a valuable tool to assist clients in addressing foreclosures.

Table 21. Cuyahoga County Foreclosure Mediation Program

Cuyahoga County Foreclosure Mediation Program (June 2008-June 2009)		
	Program Total	
	Total	Percent
Cases Referred	2846	100%
Unsuitable	430	15%
Referred for Mediation	2416	85%
Bankruptcy	46	2%
Settled Prior	292	12%
Failure from Plaintiff	56	2%
Failure from Defendant	356	15%
Pre-Mediation Held	1542	63%
Mediations Held	443	28%
Settled	231	52%

The mediation program currently operates with two full-time mediators. The Cuyahoga County Court of Common Pleas Mediation Program reports that as of June 2009, 2,846 cases have been referred for Mediation (27% of those in foreclosure). Upon review of the referrals, cases are either scheduled for a pre-mediation conference or determined by the program to be unsuitable for mediation. In it's first full year of operation, the Mediation Program has referred for mediation 85% of cases. Of those, 12% were settled prior to arriving at their mediation date and in 2% of the cases the defendant (homeowner) filed for bankruptcy, thus removing the case from the mediation process.

Pre-Mediation conferences, where each party is informed on the mediation process and provided the appropriate paper work to complete and submit to the Court are conducted two days a week and the program reports conducting 20 pre-mediations per day. 63% of people referred for Mediation have received a pre-mediation conference and of those, 28% have had a mediation session held.

In cases where either the defendant or plaintiff fails to show up for the scheduled mediation session, their case is dropped from the mediation process. In 2% of the cases referred for mediation the Plaintiff (lender) failed to appear and the case was dismissed. In 15% of the cases, the defendant (homeowner) failed to appear and their case was sent back to the court's docket.

In summary, 443 mediation sessions were held, 231 cases (52%) were settled. A case is deemed settled when both parties reach an agreement on some set of terms. Settlement does not necessarily mean that the homeowner stays in his or her home. Settlement can and does include the homeowner walking away from the property. Cases that are not settled are returned back to the Court's docket. When accounting for all cases where a pre-mediation hearing was held, a settlement occurred 11% of the time.

Table 22. Cuyahoga County Foreclosure Mediation Program Settlements

Cuyahoga County Foreclosure Mediation Program (June 2008-June 2009)		
	Program Total	
	Total	Percent
Referred for Mediation	2416	100%
Pre-Mediation Held	1542	63%
Mediations Held	443	28%
Settled	213	52%
Settlement Ratio	11%	N/A

Land Reutilization Authority

Under the leadership of Jim Rokakis, Cuyahoga County Treasurer, on December 10, 2008, the county won approval from the state legislature (SB 353) to create a county-wide Land Reutilization Authority or "land bank" that functions as a mechanism to accelerate the reutilization of distressed properties. One of the biggest challenges facing Cuyahoga County in addressing the growing problem posed by abandoned and vacant properties is how to keep foreclosed properties out of the hands of speculators and make them available to responsible private investors, owner occupants and community development organizations as part of neighborhood revitalization strategies. Modeled on a successful program in Genesee County (Flint), Michigan, the Land Bank has the authority to demolish property, borrow money, issue bonds, accept property as gifts, apply for grants, provide mortgages, borrow money, and with consent of the County commissioners, seek a general operating tax levy.

The goals for the "land bank" are to:

- Facilitate the reclamation, rehabilitation and reutilization of vacant, abandoned, tax foreclosed and/or other real property.
- Efficiently hold and manage that real property pending its reclamation, rehabilitation and reutilization.
- Assist governmental entities and other non-profit or for-profit entities in the assembly of that real property and the clearing of title in a coordinated manner.
- Promote economic and housing development of the county or region.

The land bank's primary sources of funding will flow from penalties and interest paid on current taxes and assessments that are not paid when due. The penalty for failure to pay

taxes when due is 10% of the amount due and payable for the first installment payment period; a similar 10% penalty is charged against the total amount due and payable for the second installment payment period. To fund the activities of the county land bank, the treasurer estimates that capturing the penalties and interest on delinquent taxes could provide an annual amount of approximately \$7 million. The treasurer's proposal also anticipates secondary sources of funding, including the (1) re-sale of acquired properties to qualified buyers, (2) monies contributed to the land bank by the County Commissioners as per Chapter 1724 and (3) fees for managing mothballed properties.

Simply put, the Cuyahoga County Land Bank is uniquely positioned to meet the challenges posed by the large number of vacant and abandoned properties while at the same time facilitating regional and localized economic development. By pooling properties into a large, well capitalized land bank, risk is spread – something smaller land banks or individual political sub-divisions cannot do. Finally, the county-wide land bank can facilitate redevelopment across political boundaries to better stabilize and revitalize all of Cuyahoga County's neighborhoods.

Conclusion and Recommendations

Cuyahoga County is nationally recognized as a place aggressively working on many fronts to respond to the foreclosure crisis. The Cuyahoga County foreclosure prevention initiative continues to be a very effective tool in assisting the County's homeowners to prevent foreclosures through financial literacy, counseling, rescue loans and mediation.

A total of 5,078 homeowners facing foreclosure have taken advantage of the counseling program from March 2006 through February 2009. In PY 3, 1,330 homeowners completed counseling; about 13% of the homeowners who received foreclosure filings. As one measure of the program's effectiveness, over the program's three years, 52-53% of clients who receive counseling are able to avert foreclosure, at least in the short run. While comparable national figures are scarce, recent national study of the Neighborworks program reported that as of March 31, 2009, 25% of national counseling clients were able to avert foreclosure. The mediation program had referrals from 2,846 homeowners (27% of those in foreclosure), held mediation sessions with 443 of these, and settled 231 cases (settlement means that the result was acceptable to the homeowner and the lender/servicer, it does not mean that the homeowner averted foreclosure).

Further, the new Cuyahoga County Land Bank holds great promise for helping cities reutilize distressed property, rebuild neighborhoods and shore up declining tax bases. As foreclosures shift from the center city to the suburbs, the County is responding by opening suburban counseling locations. The biggest challenge ahead for foreclosure prevention is how to assist homeowners who have lost their jobs and who may have no income other than unemployment compensation benefits or have had to take a substantial cut in pay. Similar challenges face those who owe more on their mortgages than their homes are worth. The rescue fund loans that had been used to bring delinquent homeowners current or to pay fees or other loan modification costs required to avert foreclosure or negotiate a work-out, may not be sufficient to save homes of homeowners

who have, hopefully only temporarily, lost their source of income. Similarly, these homeowners, because they have no income, would not qualify for the new mediation program. The County, state and federal governments will have to be creative in figuring out how to best help these homeowners.

Continuity of program funding for counseling is one of the biggest challenges facing the Foreclosure Prevention Program. The County's own tax revenues have declined and the County General Funds, which fund about 19% of total program costs less rescue funds, will very likely not be available after PY 4. It is not clear that federal funding for foreclosure prevention counseling will continue after 2010-11. State funds are also at risk. However, the foreclosure crisis is likely to continue. In addition to unemployment which is causing defaults on "good" loans, the next wave of foreclosures will likely come from the Alt-A market, and be felt most heavily in the suburbs, primarily the east side suburbs. Another challenge is how to get more homeowners facing foreclosure to seek counseling assistance. The outreach efforts by the County using the "early warning" system developed by Case Western Reserve University and Neighborhood Progress, Inc. is a good start and should be continued.

Quality data is essential to the study and understanding of crises such as the foreclosure crisis, but it is time consuming and costly to gather and analyze. The County has consistently used data and feedback from the evaluation to improve the operations and services offered by the prevention program. However, better data is needed about whether homeowners who avert foreclosure are able to sustain homeownership over the long term. Additional funding would enable researchers to analyze what happens to homeowners after they either avert foreclosure or lose their homes. Further study is also needed on the rescue loan recipients and their re-default rates. If additional funding is raised, this will be a focus of the evaluation in the next program year.

Collaboration among county agencies, community organizations, banks, government officials, and communities themselves has been a hallmark of this program and will be critical to its continued success.